

Message Text

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ACTION IO-14

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TO SECSTATE WASHDC 6229
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USIAEA

DEPT PASS IO/SCT, IO/OIC, S/AS, OES, AND ACDA
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E.O. 11652: N/A
TAGS: ENRG, TECH
SUBJECT: INFCE WORKING GROUP 3, MEETING OF APRIL 24-28,
1978

1. OPENING SESSION OF WG-3 CHAIRED BY CLAUDE ZANGGER OF SWITZERLAND DEVOTED TO ADOPTION OF AGENDA, REVIEW OF UNRESOLVED ISSUES IN SCOPE DOCUMENT DEVELOPED AT PREVIOUS MEETING AND ESTABLISHMENT OF TASK FORCES TO SORT OUT KEY QUESTIONS RAISED IN COURSE OF DISCUSSION OF PAPERS PRE-PARED FOR SESSION. TASK FORCE ON NON-PROLIFERATION QUESTIONS CONSISTED OF FRANCE, AUSTRALIA, US AND TURKEY. US ALSO ON TASK FORCE ON ENRICHMENT WITH PAKISTAN AND JAPAN. NO TASK FORCE ESTABLISHED FOR BACK-END ISSUES, IT BEING AGREED SWEDISH PAPER SHOULD BE REVISED IN LIGHT OF COMMENTS RECEIVED AND FURTHER ACTION SHOULD AWAIT INPUT

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FROM OTHER RELEVANT WORKING GROUPS. SCOPE DOCUMENT STILL CONTAINS BRACKETED SECTION ON SPECIAL TREATMENT OF LDC'S WHO ACCEPT NON-PROLIFERATION UNDERTAKINGS AND ACCOMPANYING MATRIX REVISED TO PUT CONVERSION WITH ENRICHMENT AND FUEL FABRICATION WITH REACTORS. UNFORTUNATE INTRODUCTORY REMARKS BY ZANGGER TO EFFECT THAT INFCE CREDIBILITY PLACED IN DOUBT BY UNILATERAL ACTION OF SOME STATES WITH

RESULT THAT COLLECTIVE EFFORT TO EXAMINE FUEL CYCLE ISSUES NOW SEEMS TO SOME TO HAVE TURNED INTO A TOOL FOR POLICIES OF SOME STATES.

2. AFTERNOON SESSION OF FIRST DAY DEVOTED TO DISCUSSION OF PAPERS SUBMITTED BY VARIOUS COUNTRIES ON PREVIOUSLY AGREED TOPICS PLUS A NUMBER OF SHORT PAPERS ON ASSORTED OTHER MORE OR LESS RELEVANT SUBJECTS. MANY OF PAPERS HAD NOT BEEN CIRCULATED IN ADVANCE. THE TOPICS DISCUSSED AT GREATEST LENGTH WERE RAW MATERIALS (ROK AND JAPANESE PLUS UK AND SOUTH AFRICAN PAPERS), US ENRICHMENT PAPER, FRG REACTOR PAPER AND SWEDISH BACK-END OF FUEL CYCLE PAPER. AUSTRALIAN PAPER ON RESPONSIBILITIES OF SUPPLIER AND CONSUMER STATES IN ACCOMMODATING SUPPLY ARRANGEMENTS TO CHANGING CIRCUMSTANCES AND US FUEL BANK PAPER WERE DISCUSSED AT LATER TIME.

3. RAW MATERIALS MARKET WAS DISCUSSED INTENSIVELY DUE TO IMPORTANCE ASCRIBED TO SUBJECT BY VARIOUS DELEGATIONS AND TO FACT THAT PAPERS PRESENTED WERE LARGEY LACKING IN USEFUL DATA. US DELEGATION PRESSED FOR MORE DETAILED PAPERS ON TOPIC BUT IT IS UNLIKELY TO COME ABOUT. CANADA IS RELUCTANT TO MAKE MAJOR CONTRIBUTION PENDING US JUSTICE DEPARTMENT LITIGATION ON CARTEL AND CONCERNED THAT ANY INFORMATION IT PROVIDED ON MARKET WOULD BE USED AS INCRIMINATING EVIDENCE. SOUTH AFRICA ALSO LEARY OF LIMITED OFFICIAL USE

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CONCRETE DESCRIPTION OF URANIUM MARKET. CONSUMER STATES DID NOT ARTICULATE THEIR CONCERNS WELL. TOPIC DRAGGED AND NEVER WAS BROUGHT INTO CLEAR FOCUS.

4. US ENRICHMENT PAPER GENERALLY WELL RECEIVED. MAIN POINTS IN DISCUSSION INCLUDED: A) US PAPER GOES ONLY TO 1990 AND THE BIG UNCERTAINTIES COME AFTER THAT TIME (JAPANESE POINT); B) WHETHER OVERSUPPLY OF ENRICHMENT CAPACITY WHICH US PAPER PROJECTS IS GOOD OR BAD FROM STANDPOINT OF NON-PROLIFERATION; C) WHETHER ENRICHMENT PAPER SHOULD ADDRESS SUPPLY OF HEU. THERE WAS MUCH INTEREST IN INCLUDING HEU FOR BOTH HTGR AND RESEARCH REACTORS. DECISION MADE BY CHAIR TO TABLE QUESTION UNTIL WG-8 MADE A REPORT ON THIS; AND D) POSSIBILITIES FOR MORE FLEXIBILITY FOR CONSUMERS IN ENRICHMENT CONTRACTS.

5. ITALY PRESENTED A BRIEF PAPER ON A FUEL BANK WHICH WOULD EFFECTIVELY BE A COMMODITY ARRANGEMENT FOR URANIUM, LOW ENRICHED URANIUM AND PLUTONIUM. PROPOSAL DID NOT AROUSE MUCH INTEREST. SWEDISH PAPER BRIEFLY COMMENTED ON, WITH US DELEGATION MAKING GENERAL OBSERVATIONS AND SUBSTANTIALLY REWRITING SECTIONS OF PAPER FOR SWEDISH

USE. SWEDES WILLINGLY ACCEPTED ASSISTANCE.

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6. FOLLOWING DEBATE ON WORKING PAPER, CHAIRMAN APPOINTED
TASK FORCES TO IDENTIFY "KEY QUESTIONS" OF SIGNIFICANCE
TO SUPPLY ASSURANCE IN RAW MATERIALS, ENRICHMENT, HEAVY
WATER AND REACTORS, AND OF SIGNIFICANCE TO FUTURE WORK OF
WG-3. TASK FORCE A (UK, CANADA, ROK - RAW MATERIALS);
TASK FORCE B (US, JAPAN, PAKISTAN - ENRICHMENT); TASK
FORCE C (FRG, SWITZERLAND, ARGENTINA - HEAVY WATER -
REACTORS). EACH MET AS SUBGROUP TO IDENTIFY AND
CHARACTERIZE ISSUES IDENTIFIED IN WORKING PAPERS AND
DURING DISCUSSION. KEY QUESTIONS PRESENTED TO PLENARY

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SESSION DEBATED, REVISED AND EVENTUALLY ADOPTED AS
SUGGESTED FOCUS FOR FURTHER WORK. CONSIDERABLE PRESSURE,
SOME ANIMOSITY ENCOUNTERED FROM EUROPEAN COMMUNITY,
AUSTRIA, SWITZERLAND AND KOREA REGARDING ALLEGED US
STRONG ARM ENRICHMENT CONTRACTING PRACTICES. MATTER OF
SUPPLY OF HEU FOR RESEARCH AND FOR REACTOR FUEL WAS
SUPPORTED AS KEY ISSUE BY MANY DELEGATIONS, INCLUDING
ITALY, MEXICO, TURKEY, EUROPEAN COMMUNITY AND FRANCE, BUT
ISSUE WAS SUCCESSFULLY POSTPONED FOR TIME BEING. DURING

TASK FORCE B DISCUSSION, JAPAN INDICATED PLANS TO BECOME CENTRIFUGE ENRICHMENT SUPPLIER AND ANNOUNCED 50,000 SWU PILOT PLANT OPERATION BEGINNING 1980, EARLIER THAN PREVIOUSLY UNDERSTOOD.

7. PLENARY ADDRESSED NON-PROLIFERATION ISSUE AS COVERED IN VARIOUS PAPERS AND A TASK FORCE D (AUSTRALIA, FRANCE, LIMITED OFFICIAL USE

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US AND TURKEY) ESTABLISHED TO IDENTIFY KEY QUESTIONS PRESENTED IN DISCUSSION. ARGENTINE DELEGATE PONTIFIED ON DISCRIMINATORY FEATURES OF NPT WHILE EMPHASIZING ARGENTINE ADHERENCE TO NON-PROLIFERATION GENERAL PRINCIPLES. CONSIDERABLE DISCUSSION OF NON-PROLIFERATION RISKS RESULTING FROM SUPPLY UNCERTAINTIES WHICH IN TURN DERIVE FROM UNILATERAL CHANGES OF SUPPLIER COUNTRY CONDITIONS. CRITICISM OF EXISTING SUPPLY ARRANGEMENTS CENTERED ON NOTION THAT SO-CALLED UNILATERAL ACTIONS BY SUPPLIER COUNTRIES IN REGARD TO NON-PROLIFERATION CONDITIONS THEMSELVES INTRODUCE NON-PROLIFERATION RISKS. THIS VIEW EXPRESSED, AMONG OTHERS, BY FRANCE, SWITZERLAND, MEXICO AND EUROPEAN COMMUNITY WITH CONSIDERABLE EMPHASIS ON UNACCEPTABILITY OF RETROACTIVE APPLICATION OF CHANGED NON-PROLIFERATION CONDITIONS. DEBATE OCCURRED IN TASK FORCE D CENTERING ON FRENCH ATTEMPT TO RAISE ISSUES OF UNILATERAL AND RETROACTIVE CHANGES IN NON-PROLIFERATION CONDITIONS. QUESTIONS ULTIMATELY FRAMED TO FOCUS ON EFFECT OF ANY COUNTRY RESERVING A RIGHT IN AN AGREEMENT TO APPLY SUCH CHANGED CONDITIONS TO FUTURE EXPORTS (UNDER EXISTING AGREEMENTS).

8. FRENCH DELEGATION ASSERTED THAT NO GUARANTEE OF SUPPLY EXISTS IF A SUPPLYING COUNTRY CAN UNILATERALLY INTERRUPT FUEL SUPPLY UNTIL NEW NON-PROLIFERATION CONDITIONS ARE AGREED. THE SWISS REPRESENTATIVE SUGGESTED THAT DOCTRINE OF PACTA SUNT SERVANDA WAS NOT BEING OBSERVED. CANADA AND AUSTRALIA RESPONDED TO EFFECT THAT OBLIGATIONS OF TREATIES WERE BEING OBSERVED BY THEIR RESPECTIVE GOVERNMENTS. CANADA STRESSED THAT ITS ARRANGEMENTS FOR NUCLEAR SUPPLY WERE TWO-TIER IN NATURE. THE FIRST TIER CONSISTED OF TREATIES AND INTERNATIONAL AGREEMENTS. CANADA NOTED THAT MOST NATIONS RESERVED RIGHT TO ADJUST LIMITED OFFICIAL USE

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SECOND TIER ARRANGEMENTS (WHICH WERE THOSE INVOLVING PRIVATE SUPPLY CONTRACTS) TO CHANGES IN NATIONAL POLICIES

AND LAWS. US DELEGATE MADE POINT THAT TECHNOLOGY CONDITIONS CHANGE CONSTANTLY, AS DOES POLITICAL AND SOCIAL ENVIRONMENT, AND NON-PROLIFERATION CONDITIONS MUST ADAPT TO CHANGE IF THEY WERE TO BE EFFECTIVE. HE URGED CONSTRUCTIVE AND IMAGINATIVE EFFORT TO FIND WAYS TO RECONCILE ENERGY NEEDS AND NON-PROLIFERATION REQUIREMENTS IN WAYS ACCEPTABLE TO BOTH SUPPLIERS AND CONSUMERS AND SUPPORTIVE OF COLLECTIVE CONCERN FOR INTERNATIONAL SECURITY.

9. US INTRODUCED BANK (IFB) PAPER EMPHASIZING ITS NON-COMMERCIAL, EXPLORATORY, INTERROGATORY AND PRELIMINARY CHARACTER. DISCUSSION DID NOT GET INTO DETAIL. A NUMBER OF DELEGATIONS SUPPORTED FURTHER EXPLORATION OF THE CONCEPT, INCLUDING UK, CANADA, FRG, AUSTRALIA, AND FRANCE. IAEA SECRETARIAT MADE EXTENSIVE INTERVENTION EMPHASIZING THAT AGENCY WAS A PRIMARY CANDIDATE TO MANAGE IFB. MAIN CONCERN OF AUSTRALIA AND CANADA WAS THAT IFB NOT BECOME A SUBSTITUTE IN MARKET IN ANY WAY, OR BECOME A CUSHION FOR CUSTOMER STATES DEFAULTING ON CONTRACTS FOR COMMERCIAL REASONS.

10. AUSTRALIAN DELEGATE RAISED WITH US DELEGATE HIS CONCERN REGARDING IFB THAT A NUMBER OF EURATOM COUNTRIES SUPPORT IFB BECAUSE THEY BELIEVE THAT ACCESS WOULD BE AVAILABLE UNDER CONDITIONS SUCH AS PRESENT US MORATORIUM. BY THIS, HE DISTINGUISHED BETWEEN COUNTRIES BREACHING NON-PROLIFERATION CONDITIONS (CLEARLY BARRING ACCESS) AND COUNTRIES WHICH DO NOT TAKE STEPS TO COMPLY WITH NEW CONDITIONS.

11. MEETING CLOSED WITH ADOPTION OF TENTATIVE LIST OF KEY QUESTION AND PROCEDURES FOR NEXT SESSION TO BE HELD IN VIENNA FROM JULY 24 TO AUGUST 1, 1978. KIRK
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